



Building the EU Energy Future: a cooperation between national governments and the energy industry towards a secure and competitive market


Catharina Sikow-Magny
European Commission
Directorate General for Energy
Networks & Regional Initiatives

The Baltic Energy Forum
Vilnius, 23 November 2017



Implementing the EU Energy Roadmap 2050

- Energy efficiency, renewable energy, nuclear energy, carbon capture & storage for a more sustainable, competitive & secure energy system in 2050
- A **long-term 2050 greenhouse gas reductions target**: 80% to 95% reduction in greenhouse gases compared to 1990 levels
- Agreement on a **2030 Framework for climate and energy**, including EU-wide targets and policy objectives for 2020-2030
- **Targets for 2030:**
 - a 40% cut in greenhouse gas emissions compared to 1990 levels
 - at least a 27% share of renewable energy consumption
 - at least 27% energy savings compared with the business-as-usual scenario

 a stable policy framework on greenhouse gas emissions, renewables and energy efficiency

 more certainty for investors

 EU's leadership



Clean Energy for All Europeans

- Measures to keep the EU competitive as clean energy transition changes global energy markets
- EU achieving global leadership in renewable energies → growth sector of the future
- Putting energy efficiency first → consuming better, getting cleaner
→ Partnership with Member States to **monitor progress towards EU-wide 2030 targets**
- **Four revised regulations and four revised directives on:**
 - Electricity Market Design
 - Renewables
 - Energy Efficiency
 - Regulation on the Governance of the Energy Union → Climate Monitoring Mechanism Regulation (MMR) & provisions of the Paris Climate Agreement



Energy Union Strategy

1. Security, solidarity and trust

2. A competitive and completed internal market

3. Moderation of demand

4. Decarbonisation of the EU energy mix

5. Research and innovation



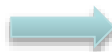
Ensuring competitive & secure energy markets

Member States:

- Supporting the shift towards clean, competitive and efficient energy, including at the **local level**
- Setting the **right financing framework** and **regulatory incentives**
- Monitor progress towards **national 2020 targets**, with a view to EU-wide 2030 targets

Energy industry:

- Combining public and private resources and using **innovative financial models**
 - Investing in energy transmission projects, especially **interconnectors**
 - Investing in renewables, including in **joint cross-border projects**
 - Investing into **efficient buildings** and improving the energy performance of products



Strengthen **regional cooperation**, both at political and at project promoters' levels



Reinforced BEMIP

- A **Memorandum of Understanding** on the reinforced 'BEMIP' was signed in June 2015:
 - Re-defining and broadening the scope of the initiative
 - Reinforcing the structure of the initiative, including dedicated working groups
 - A new BEMIP Action Plan identifying specific measures, action points and projects to be implemented (mostly) by 2020
- **BEMIP now includes:** the internal energy market, interconnections and power generation (comprising nuclear energy) and **other areas**, such as security of supply, energy efficiency and renewables



Markets

- Creating a framework that allows the necessary investments in power generation
- Strengthening the internal energy market in a way that the market will provide the right price signals for investments
- Enhancing the flexibility of the power markets
- Implementing the rest of the European market rules, network codes and market coupling (including capacity calculation, day-ahead and intraday markets)
- Nordic/Baltic integrated balancing market

A **BEMIP Action Plan** for:

- A truly competitive regional electricity market
- A Baltic States and Finland regional gas market up to 2020: balancing, transmission and trading; pricing of gas transmission services and inter-transmission system operator compensation mechanism; infrastructure (LNG terminal and storage) pricing and possible socialization of its costs.

Gas Infrastructure

Objectives

- Lifting isolation; reducing energy infrastructure bottlenecks; interoperability & system flexibility
- Appropriate connections & diversification
- Reducing emissions, supporting intermittent renewable generation, enhancing deployment of renewable gas

Infrastructure needs

- Connection between EE, LV, LT, FI & Continental European gas market
- Enabling reverse flows or increase diversification of entry points
- Connecting to the 2nd or 3rd gas source
- Reduction of the existing differences in wholesale gas prices
- Mitigating demand curtailment under major import route disruption
- Ensure compliance with N-1 criterion



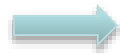
Security of Supply

- Preparation of a **joint risk assessment of the gas system** for the three Baltic States and Finland - Art. 9(2) Reg. (EU) No 994/2010
- **Joint Research Center study:**
 - ➔ Analysis of the possible sources of risks, selection of critical infrastructures, different demand profiles, probable duration of the events, definition of scenarios
 - ➔ 5 Demand Cases – 12 events selected – 25 scenarios:
 - Disruption from gas supply from Russia – biggest regional impact
 - Kiemenai identified as a bottleneck
 - Constraint of pressure in the EE system
 - Important role of Inčukalns UGS



Renewable Energy

- A common vision and regional renewables pledge for 2030, taking into account the considerable **natural RES potential** in the BEMIP region
- A step-wise cooperation and alignment of certain elements of the RES **support schemes** by 2020
- Enhancing the market design to make a market fit for RES integration, which could act as an effective foundation of the 2030 framework
- Develop the perspectives and design options for possible joint renewable energy projects and cross-border cooperation in the BEMIP region, including on **offshore wind power**



building a **BEMIP Action Plan for offshore wind**

- **Dedicated studies to:**
 - Identify offshore wind potential & most promising locations
 - Identify grid infrastructure needs & optimization within a coordinated approach
 - Identify market & regulatory barriers & solutions to overcome them
 - Identify non-financial barriers & solutions to overcome them
 - Develop a roadmap for the Baltic Sea Offshore Wind Cooperation initiative (incl. potential PCIs)

Energy Efficiency

- Working Group meeting: in the margins of the first regional conference on energy efficiency funding (11 November 2016)
- **Cooperation** focused on clearly identified topics:
 - Technical issues (building renovation, street lighting)
 - Financial instruments and financing issues (credit worthiness assessment model in EE, example of Energy Performance Contracting arrangements)
 - Legislation
- **Dedicated studies** to benchmark & analyse different market practices (covering BEMIP and CESEC): renovation concepts, financial instruments, efficient district heating, different instruments to address energy poverty
 - ➔ Results to enable concrete cooperation between key stakeholders on well-defined topics





Thank you for your attention!

